

THE LEONARD LETTER

A weekly electronic newsletter

from

*Bill Leonard, Member
State Board of Equalization*

November 17, 2003

“The world will little note nor long remember what we say here, but it can never forget what they did here. It is for us the living rather to be dedicated here to the unfinished work which they who fought here have thus far so nobly advanced... we here highly resolve that these dead shall not have died in vain, that this nation under God shall have a new birth of freedom, and that government of the people, by the people, for the people shall not perish from the earth.” --- President Abraham Lincoln, The Gettysburg Address, delivered November 19, 1863

UNDER THE DOME

*****Let's Get to Work*****

Governor Schwarzenegger's inaugural address was inspiring and refreshing. Although he did offer some policy specifics (roll back the car tax, fix workers' comp, repeal S.B. 60), he used most of his words to hearken to the values that unite us as Californians. He is correct that his election represented the people's veto of politics as usual and that in order to do that we must “overcome political habits of the past.” In the spirit of his call for a “miracle of Sacramento” based on cooperation, goodwill and new ideas, I offer five suggestions for immediate action. The full version of these can be read in the latest issue of California Political Review. In brief, they are:

- 1. Tell California how big the deficit really is.** Governor Arnold Schwarzenegger should make clear the full size of the gap between what we are spending and what we are taking in so the public fully understands the extent of the problem Davis left us.
- 2. Sell government assets.** The state owns thousands of acres of land it is not using. The state owns millions of dollars of assets that could be sold to private parties. For example, there is no reason for the government to own student housing. The full list of surplus properties should be reviewed. These sales could be used to offset the current deficit spending while spending cuts are being identified.
- 3. Eliminate vacant positions and stop hiring.** Davis's 2001 hiring freeze did not keep the state from adding more employees until quite recently. Davis's version of a hiring freeze was loaded with exemptions. The new Governor should not grant exemptions except for very special circumstances where all other options fail.

4. Enact Constitutional fiscal reforms. I would add my vote for a new Constitutional spending limit. I particularly like the idea of indexing spending to no more than inflation and population growth.

5. Use a trimmer to fulfill Davis's promises; use an axe for the rest. It is almost certainly too late to accomplish fully the layoffs the current budget mandates, but the new Governor should start doing what he can immediately. Governor Schwarzenegger will have to look beyond trimming to the elimination of entire categories of state spending. That alone will achieve the multi-billion dollar correction that truly balancing the budget will require. The magnitude of the deficit makes such reductions more politically feasible than ever before.

*****Surviving Bustamante*****

When Secretary of State Kevin Shelley certified the results of the recall election on Friday, November 14th he made a point of saying that Gray Davis would still be Governor until Arnold Schwarzenegger took the oath of office today. However, the recall law says that the office is vacant as soon as the results are certified; therefore, Gray Davis ceased to be Governor on Friday. Schwarzenegger could have taken the oath that day, but he chose to wait until today. The Constitution provides that the Lt. Governor shall become acting Governor whenever the Governor is absent. So, did we just survive the Bustamante administration?

*****Taking It to the People*****

Governor-elect Schwarzenegger appeared this weekend at our Republican Leadership conference and showed us his enthusiasm for bringing people together to solve the state's problems, improve the economy and shake things up in Sacramento. He can and will go over the heads of the Legislature to appeal to the people to adopt real reforms and he is excited about going on the road to achieve this. Legislators, watch out!

*****Insurance in the Aftermath*****

As the victims of the Southern California wildfires begin the recovery and rebuilding process, they are learning many lessons that can benefit the rest of us before we are hit by disaster ourselves. Most of them are only reading their insurance policies for the first time, and most are surprised by what they find, and do not find, in those policies. To avoid unpleasant surprises at an already stressful time, I encourage you to consider the following.

First, update your insurance agent about any changes you have made to your home. If you have done a major room addition, enclosed a patio or added a deck, your policy needs to be updated. Even if you have done something as simple as put in new flooring, you need to know that wood floors will cost much more to replace than your old carpet. Second, if you have a home older than ten years, make sure you upgrade your policy to cover current building codes. For example, the new concrete tile roofing costs about three

times as much as composite shingles, but your insurance policy may not pay that difference and you cannot rebuild using old, lower standards, meaning you will be paying the difference out of pocket. Third, consider whether you need building extension coverage. For example, neither a detached garage nor fencing is covered fully. Most policies will pay 10% of coverage toward such construction, but you may not be able to rebuild a two-car garage for that amount.

You also need to give a lot of thought to what is in that garage. Any motorized vehicle, from your car to your boat or wave runners to your child's dirt bike, must have its own insurance policy. If you are restoring a classic vehicle, make sure your agent knows about it, too. Check also your coverage limits for jewelry, computers, firearms or any collectibles. When the fire comes racing quickly toward your home, you do not have time to save everything that is important to you, but knowing that you have appropriate insurance can give you some peace of mind should disaster strike.

TAX CORNER

*****Flat Tax Approved (in Iraq)*****

"Tax reform has come to Iraq. 'The highest individual and corporate income tax rates for 2004 and subsequent years shall not exceed 15 percent,' says a directive from administrator Paul Bremer. Saddam Hussein's top rate was an onerous 45%, higher than even the Democratic presidential candidates propose in their tax-hike plans. 'It's extremely good news,' says Grover Norquist of Americans for Tax Reform. 'It might be a hint to the rest of us.' Still on Norquist's to-do list: Renaming Baghdad International Airport after Ronald Reagan." - James Taranto, Best of the Web, 11/3/03

If its good enough for Iraq, can California be far behind?

*****Customer Satisfaction*****

One of my highest priorities at the BoE is to make sure that taxpayers are treated well by BoE employees. I have complained here about some of the outrageous behavior that a handful of employees have engaged in, but the vast majority of BoE staff go out of their way to provide good customer service and treat taxpayers properly. Even in an era of budget cuts and staff reductions, the "How are we doing?" cards that are available to taxpayers in all BoE offices showed increased satisfaction. The 2002-2003 tally showed a decrease in negative comments from 2001-2002. I commend our employees who are doing more with less, and I encourage any taxpayer who has comments about how BoE staff to fill out the card or get in touch with me directly.

ISSUE FOCUS

*****Riordan Hire a Good One*****

The appointment of former Los Angeles mayor Richard Riordan as Governor Schwarzenegger's new Education Secretary is a great choice. Riordan has been engaged in education issues for many years, including as a high profile supporter of English instruction for all California school children. He is a supporter of teachers and believes administrators have been rewarded at their expense. Moreover, Schwarzenegger has said that he wants to cut many of the strings that go along with the money schools receive so that local educators are able to deal with what they perceive as their greatest needs. Riordan is a perfect fit for accomplishing this. I wish him the highest success.

MISCELLANY

*****Three More Words to Know*****

Each week, the Leonard Letter features a few of the words from a list of 100 words that some educators say every high school student should know. The full list may be viewed at

http://www.houghtonmifflinbooks.com/booksellers/press_release/100words/.

70. Plagiarize (v.) --- To use and pass off (the ideas or writings of another) as one's own: *Legislative plagiarism is not only common, but necessary in an era of term limits when a few years in office is not enough to get a bill passed so the idea must be turned over to the next officeholder.*

71. Plasma (n.) --- Cell-free, sterilized blood plasma, used in transfusions: *One of my first cases as a Board member involved applying the manufacturer investment credit to a biopharmaceutical company that produces medical products from donated human plasma.*

72. Polymer (n.) --- Any of numerous natural and synthetic compounds of usually high molecular weight consisting of up to millions of repeated linked units, each a relatively light and simple molecule: *Political polymers are the time tested method for political parties to gain strength by linking together a number of individual issue groups to form a powerful governing coalition.*

BOE AND LEGISLATIVE DATES

November 17 --- Swearing-in of Governor Schwarzenegger.

November 18 --- Special Session of the Legislature called by Governor Schwarzenegger.

November 18 & 19 --- BoE meets in Sacramento.

November 24 --- Sales and Use Taxes: October prepayment for fourth quarter is due.

Special relief in the form of one-month extension of time to file and pay taxes or fees is available in those are (Los Angeles, Riverside, San Bernardino, San Diego, and Ventura) the Governor has declared a state of emergency for those who are unable to pay their taxes on time due to the recent wildfires. To request an extension, you must file two forms, BoE 468, Request for Extension, and BoE 27, Penalty and Interest Relief for Disaster Victims. Both are available at www.boe.ca.gov. Or by calling 1-800-400-7115.

December 4 --- BoE meets in Sacramento.

January 5, 2004 --- Legislature reconvenes.

NOTABLE DATES/ HISTORY

November 17, 1800 --- Congress held 1st session in Washington DC

November 18, 1865 --- Mark Twain published "Celebrated Jumping Frog of Calaveras County"

November 19, 1493 --- Christopher Columbus landed on Puerto Rico, on his second voyage

November 19, 1863 --- Lincoln delivered the Gettysburg address

November 19, 1919 --- U.S. Senate rejected (55-39) Treaty of Versailles & League of Nations

November 19, 1970 --- Golden Gate Park Conservatory became a state historical landmark

November 20, 1914 --- U.S. State Department started requiring photographs for passports

November 20, 1983 --- 100 million people watched ABC-TV's movie "The Day After," about nuclear war

November 21, 1990 --- Declaration of the "End of Cold war" was signed in Paris

November 22, 1906 --- International Radio Telecommunications Com adopted "SOS" as new call for help

November 23, 1765 --- People of Frederick County MD refused to pay England's Stamp tax

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115

TDD service for the hearing impaired

TDD phones: 800-735-2929

Voice phones: 800-735-2922

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